From: Robert Machinist <rmachinist@gmail.com>
To: Intrater Andrew <aintrater@columbusnova.com>
CC: Oliver Wriedt <owriedt@cifc.com>
Jason Epstein <JEpstein@columbusnova.com>
Paul Lipari <plipari@columbusnova.com>
Iosif Bakaleynik Contact <i.bakaleynik@renova-group.ru>
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Peter Gleysteen <pgleysteen@cifc.com>
Steve Vaccaro <svaccaro@cifc.com>
Robert Milton <rmilton@cifc.com>
Rahul N. Agarwal <ragarwal@cifc.com>
Date: Sat, 4/5/2014 7:46:37 AM
Subject: Re: CIFC 2014-II upsized to $829MM - Priced

Awesome !

Sent from my iPhone

On Apr 4, 2014, at 8:35 PM, Intrater Andrew <aintrater@columbusnova.com> wrote:

> Really outstanding!
>
> Sent from my BlackBerry 10 smartphone.
>
> **From:** Oliver Wriedt
> **Sent:** Friday, April 4, 2014 7:34 PM
> **To:** Intrater Andrew; Jason Epstein; Paul Lipari; Iosif Bakaleynik Contact; 'ehbarak1@gmail.com'; 'marco.musetti@renova-group.ch'; Robert B. Machinist; 'fred@chatsworthadvisors.com'; 'fpuleo@gmail.com'; Peter Gleysteen
> **Cc:** Steve Vaccaro; Robert Milton; Rahul N. Agarwal
> **Subject:** CIFC 2014-II upsized to $829MM - Priced
>
> We are pleased to announced that we successfully upsized and priced CIFC 2014-II today.
>
> At $829 MM of proceeds ($800 MM of par), this transaction is the largest in the history of CIFC. It is also the largest deal raised in 2014.
>
> We began our ramp-up in late October 2013 using CIFC balance sheet capital to equitize the non mark-to-market RBS warehouse. We negotiated the right to purchase up to $15 MM of new issue equity at deep discounts to par. In order to maximize our management fee on this transaction, we managed to get three investors to compete for the control equity position (TICC, Prophet Capital and Prospect Capital). We chose Prophet Capital, a $3 billion mortgage hedge fund, as our anchor equity investor locking in 45 bps of management fees and committed to back-stop a deal of up to $600 MM.
>
> Prophet Capital bought into our warehouse and significantly reduced our risk exposure in February.
>
> At the time of pricing, we were able to aggregate in excess of $300 MM of loan collateral across 130 issuers and 27 industries. This portfolio was contributed to the CLO today, locking in profits for the balance sheet's commitment in excess of 10 points. We will follow up with detailed economics of the ramp at closing on May 2nd.
>
> Our second CLO in 2014 was supported by 24 institutional investors. We syndicated the $504 MM senior tranche broadly. The AAAs were initially anchored by a $150 MM order from GoldenTree Asset Management (with full recourse leveraged provided by RBS). GSAM stepped in with a $200 MM order and we were able to turn away State Street Bank (at materially worse terms). We ended up allocating GoldenTree back to $100 MM and took in orders from MetLife, Blackrock, Lord Abbett and AIMCO.
>
> We were disappointed in the debt execution at the bottom of the capital stack. Prophet Capital was critical in creating price tension and ultimately bought $50 MM of AAAs and $12 MM of BBs. RBS has been depleted of talent. Syndicate was extremely weak. This will be our last deal with RBS.
>
> The CIFC CLO Co-Investment fund purchased $6 MM notional of the equity at price of $88. The CIFC CLO Opportunities Fund purchased $1 MM notional of the equity at the same price. The target IRR at the purchase price using RBS model assumptions is 13.5% to a call in Year 7. Prophet Capital bought $59 MM of equity at a price of $91, selling down just $25 MM to two outside investors at a price of $92.
>
> We estimate that RBS cleared net fees of roughly $3.6 MM (45 bps).
>
> In order to grow the transaction to $800 MM, we gave up 2 bps in management fees on the deal, locking in 43 bps on $800 MM ($3.44 MM per annum) and 20% incentive fees over a 12% preferred return. We got RBS to agree to rebate us the value of 1 bps in the form of a warehouse management fee of approximately $300k.
>
> NEW ISSUE CLO: ~$829MM CIFC Funding 2014-II CLO *PRICED*
>
> COLLATERAL MANAGER : CIFC Asset Management LLC
> SOLE LEAD ARRANGER : RBS

CLASS	$SIZE-MM	M/S&P	BNCH	CPN
A-1L	504.000	Aaa/AAA	3mL+	148
A-2L	73.200	Aa2/NR	3mL+	215
A-2F	10.000	Aa2/NR		4.469%
A-3L	68.800	A2/NR	3mL+	285
B-1L	40.000	Baa3/NR	3mL+	350
B-2L	41.600	Ba3/NR	3mL+	460
SUB NOTES	90.990	NR/NR		
Total	828.590			

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